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Tarrant County Texas

12/13/2010 8:13 AM

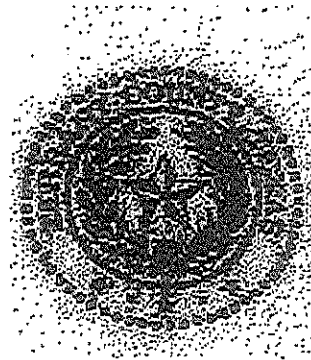
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Suzanne Henderson

PGS 5 \$32.00

Submitter: ACS



DALE PROPERTY SERVICES, LLC
ATTN: RECORDING TEAM
500 TAYLOR ST. STE 600
FORT WORTH, TEXAS 76102

Submitter: DALE PROPERTY SERVICES, LLC

SUZANNE HENDERSON
TARRANT COUNTY CLERK
TARRANT COUNTY COURTHOUSE
100 WEST WEATHERFORD
FORT WORTH, TX 76196-0401

DO NOT DESTROY

WARNING – THIS IS PART OF THE OFFICIAL RECORD

ELECTRONICALLY RECORDED
BY ERXCHANGE

Producers 88 (4/76) Revised Paid Up With 640 Acres Pooling Provision

**OIL, GAS AND MINERAL LEASE
(NO SURFACE USE)**

partnership _____, Lessor (whether one or more), whose address is 5004 Briar Patch Lane, Burleson,

1 Lessor in consideration of Ten and No/100-----Dollars (\$10.00), in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, conducting exploration, geologic and geophysical surveys by seismograph, core test, gravity and magnetic methods, injecting gas, water and other fluids, and air into subsurface strata, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in Tarrant County, Texas, to-wit:

~~XXXXXXXXXXXXX IN VOLUME 508-77, PAGE 17 OF THE PLAT RECORDS FOR THE LAND PARTICULARLY DESCRIBED ABOVE OR WHETHER THE SAME~~

3 As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor, in the pipelines to which lessee may connect its wells, the equal one-fourth (1/4) part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the average posted market price of such one-fourth (1/4) part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-fourth (1/4) of the cost of treating oil to render it marketable pipeline oil; (b) to pay lessor for gas and casinghead gas produced from said land (1) when sold by lessee one-fourth (1/4) of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products one-fourth (1/4) of the amount realized from the sale of gasoline or other products extracted therefrom and one-fourth (1/4) of the amount realized from the sale of residue gas after deducting the amount used for plant fuel and/or compression; (c) To pay lessor on all other minerals mined and marketed or utilized by lessee from said land, one-tenth either in kind or value at the well or mine at lessee's election, except that on sulphur mined and marketed the royalty shall be one dollar (\$1.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to one dollar (\$1.00) for each acre of land then covered hereby. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be or its successors, which shall ~~be paid directly to Lessor Bank~~ continue as the depositories, regardless of changes in the ownership of shut-in royalty. If at any time that lessee pays or tenders shut-in royalty, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender shut-in royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owners of this lease, severally as to acreage owned by each.

5. If at the expiration of the primary term, oil, gas, or other mineral is not being produced on said land, or from the land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas, or other mineral is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas, or other mineral is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil, gas, or other mineral, so long thereafter as oil, gas, or other mineral is produced from said land, or from land pooled therewith.

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated the 7th of DECEMBER, 2010 by and between Threemont, Ltd., as Lessor, and Chesapeake Exploration, L.L.C., as Lessee ("Lease"), to wit

13. **EXHIBIT CONTROLS.** In the event of a conflict between the terms of this exhibit and the terms of the printed form lease, the terms of this exhibit shall control.

14. **SURFACE USE.** Lessee is prohibited from using the surface of the leased premises for any purpose, but Lessee may engage in directional drilling activities beneath the leased premises that are conducted from surface locations on other land provided Lessee agrees that it will not engage in any drilling from a surface location within 600 feet of the Land. A directional well drilled under this provision shall be considered to be located on the Land.

15. **POOLING DESIGNATIONS.** Lessee shall provide Lessor with a recorded copy of all recorded pooling designations within thirty (30) days from receipt of such recorded designation from the County Clerk.

16. **POOLING ALL OF THE LAND.** No part of the leased premises shall be pooled, unless all of the leased premises is pooled in the same unit.

17. **ROYALTY.** (A) As to all oil and gas sold by Lessee to an unaffiliated entity, the royalties payable to Lessor for oil and gas, including casinghead gas or other gaseous substances produced and saved from the leased premises and sold on or off the leased premises, shall be one-fourth (1/4th) of the net proceeds realized by Lessee from the sale thereof. Upon request, Lessee shall make available for Lessor's review a copy of any gas contract entered into between Lessee and such unaffiliated entity for oil and gas sold from the leased premises, and Lessor shall not disclose the terms of such contract to any party without the prior written consent of Lessee.

(B) Where an entity affiliated with Lessee is the purchaser of the oil or gas, including casinghead gas or other gaseous substances produced and saved from the leased premises and sold on or off the leased premises, the royalties payable to Lessor shall be one-fourth (1/4th) of the net proceeds received by Lessee from such affiliated entity provided, however, the value of Lessor's royalty oil or gas shall be not less than an amount determined through the use of market value index prices for the month of production as set forth in Published Indices. For purposes of this lease, "Published Indices" must be industry recognized published price references, unaffiliated with Lessee, which reflect the market value for oil and natural gas produced in Tarrant County, Texas. Examples of such publications include Natural Gas Week, Inside F.E.R.C.'s Gas Market Report and Natural Gas Intelligence Gas Price Index and other current or future publication satisfying the Published Indices criteria. The parties may mutually agree to base the value of Lessor's royalty oil or gas on one specific index or an average of two or more indices. The Published Indices relied upon to determine the value of Lessor's oil or gas may be changed from time to time in order to always reflect the market value for the oil and gas produced from the leased premises. Upon request, Lessee shall advise Lessor of the Published Indices being used to determine Lessee's royalty.

18. **PAYMENT OF ROYALTIES.** With respect to each well on the leased premises or on land pooled therewith, initial royalty payments for oil and/or gas shall be made on or before 120 days from the date of first production. Thereafter, all royalties which are required to be paid hereunder to Lessor shall be due and payable in the following manner: Royalty on oil shall be due and payable on or before the end of the first calendar month following the month of production, and royalty on gas shall be due and payable on or before the end of the second calendar month following the month of production. Each royalty payment shall be accompanied by a check stub, schedule, summary or remittance advice identifying the Lease and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas. A copy of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts shall be subject to inspection and examination by Lessor once a year. The books, accounts, and all other records pertaining to production, transportation, sale, and marketing of oil or gas from the leased premises shall at any time during normal business hours be subject to inspection and examination by Lessor. If payments to be made by Lessee to Lessor are not made when due for whatever reason, the unpaid portion shall bear interest at the lower of the prime rate at Federal Reserve at Dallas, Texas plus 2%, or the highest rate allowed by law. If Lessee is in default hereunder and this matter is turned over to an attorney for collection, or is collected by suit, Lessee agrees to pay all reasonable attorney fees incurred by Lessor. Payments may be remitted to Lessor annually for the aggregate of up to twelve months' accumulation of proceeds if the total amount owed is \$25.00 or less.

19. **SHUT-IN ROYALTY.** While there is a gas well on this Lease or on acreage pooled therewith capable of producing gas in paying quantities, but gas is not being sold, Lessee shall pay or tender in advance an annual shut-in royalty of \$25.00 per net mineral acre covered by this lease that is included in a unit that includes a well that has been properly shut-in. Payment with respect to a well will be due within 60 days after the well is shut-in. While shut-in royalty payments are timely and properly paid, this Lease will be held as a producing lease. The right of Lessee to maintain this Lease in force by payment of shut-in gas royalty is limited to the period of two years that follow the expiration of the Primary Term. The obligation of Lessee to pay shut-in royalty is a condition and not a covenant. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled thereto on or before the due date.

20. **LAPSE OF THE LEASE.** At the time of the lapse of this Lease by any of its terms or provisions, Lessee agrees to promptly execute and deliver to Lessor, or file for record in the public land records office of the county and state where this property lies, a written release and surrender of this lease save and except that portion maintained by virtue of any provision of this Lease.

21. **INSURANCE REQUIREMENTS.** (A) All policies shall be written on an occurrence basis except for Environmental Pollution Liability (Seepage and Pollution coverage) and excess or umbrella liability, which may be

made on a claims made basis. Lessee shall be responsible for the deductibles on insurance policies maintained by Lessee. Lessee's insurance required herein must include premises, operations, blowout or explosion, products, completed operations, sudden and accidental pollution, blanket contractual liability, underground resources damage, broad form property damage, independent contractor's protective liability, and personal injury. This coverage shall be in a minimum combined single limit of \$1,000,000.00 per occurrence for bodily injury and property damage. Additionally Lessee must provide Lessor evidence of \$5,000,000.00 of excess or umbrella liability coverage. Such insurance requirements shall be met by a combination of self-insurance, primary and excess insurance properties.

(B) Lessee's policy or policies should cover the cost of controlling a well that is out of control, re-drilling or restoration expenses, seepage and pollution damage as first party recovery for the Lessee and related expenses, including, but not limited to, loss of equipment, experts and evacuation of residents, and shall provide the following limits:

\$5,000,000.00	Per occurrence/no aggregate, if reasonably available, otherwise an aggregate of five (5) million dollars.
\$500,000.00	Sub limit endorsement may be added for damage to property for which the Lessee has care, custody, and control.

22. **INDEMNITY.** (A) Lessee agrees to indemnify and hold harmless Lessor, and Lessor's representatives, successors, and assigns against all expenses, claims, demands, liabilities, and causes of action of any nature for injury to or death of persons and loss or damage to property, including, without limitation, reasonable attorney fees, expert fees, and court costs, caused by Lessee's operations on the land or Lessee's marketing of production from the land or any violation of any environmental requirements by lessee. As used in this paragraph, the term "Lessee" includes Lessee, its agents, employees, servants, contractors, and any other person acting under its direction and control, and its independent contractors. Lessee's indemnity obligations survive the termination of this lease.

(B) Lessee assumes full responsibility and liability between the parties hereto for any pollution caused by Lessee's operations and agrees to promptly remedy and clean up any such pollution at Lessee's sole expense, and to hold Lessor harmless from all claims for damages caused by such pollution. Lessee agrees to defend, at Lessee's expense, any such suit brought against Lessor on account of such claims, and to pay any judgment against Lessor resulting from any such suit.

23. **COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS.** Lessee, its successors and assigns, by its acceptance of this lease, hereby agrees to comply with all applicable laws, rules, and regulations and hereby assumes full responsibility for, and agrees to indemnify, defend, and hold harmless, Lessor from and against any loss, liability, claim, fine, expense cost (including attorneys fees and expenses), and cause of action caused by or arising out of the violation (or defense of the alleged violation) of any federal, state, or local laws, rules or regulations applicable to any waste material, drilling matter fluid, or any hazardous substances released or caused to be released by Lessee or Lessee's agents, or independent contractors from the land leased hereunder into the atmosphere or into or upon the land or any water course or body of water, including ground water. Additionally, upon receiving any notice regarding any environmental, pollution, or contamination problem or violation of any law, rule, or regulation, Lessee will forward a copy to Lessor by certified mail within thirty (30) days, or failing which, Lessor shall have the option to terminate this Lease upon thirty (30) days written notice to Lessee. This provision and its indemnities shall survive the termination of this Lease, and shall enure to the successors, heirs, and assigns of Lessor and Lessee.

24. **MINERALS COVERED.** This Lease covers only oil and gas. The term "oil and gas" means oil, gas, and other liquid and gaseous hydrocarbons produced through a well bore.

25. **NO WARRANTIES.** Lessor makes no warranty of any kind with respect to title to the Land. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land, and Lessee assumes all risk of title failures. If Lessor owns an interest in the Land less than the entire fee simple estate, then the royalties payable hereunder will be reduced proportionately. Lessee, at its option, may discharge any tax, mortgage, or other lien on the Land, and in the event Lessee does so, Lessee will have the option of applying the royalties accruing to Lessor toward payment of it.

26. **PERPETUAL SUBSURFACE EASEMENT.** Lessor shall acquire the perpetual easement described in paragraph 11 of the lease, so long as the leased premises is first included in a producing unit. Furthermore, in no event shall the perpetual easement impede future development of oil or gas within the Barnett Shale formation.



Signed for Identification

[Signature]